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BEFORE THE ARIZONA CORPORATION COMMISSION

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BOB STUMP
Chairman
GARY PIERCE
Commissioner
BRENDA BURNS
Commissioner
BOB BURNS
Commissioner
SUSAN BITTER SMITH
Commissioner

Arizona Corporation Commission
DOCKETED
DEC 18 2014

DOCKETED BY 

IN THE MATTER OF ARIZONA PUBLIC
SERVICE COMPANY APPLICATION FOR
APPROVAL OF AUTOMATED METER
OPT-OUT SERVICE SCHEDULE 17

DOCKET NO. E-01345A-13-0069
DECISION NO. 74871
ORDER

Open Meeting
December 12, 2014
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company (“APS” or “Company”) is certificated to provide electric service as a public service corporation in the state of Arizona.

Background

2. On March 22, 2013, Arizona Public Service Company (“APS” or “Company”) filed an application requesting approval of its Automated Meter Opt-Out Service Schedule. APS reports that it has now almost completely deployed Advanced Metering Infrastructure (“AMI”) meters or “smart” meters in its service territory. Several groups of APS customers have raised concerns to the Commission and APS regarding the health effects of radio frequency (“RF”) transmissions and the security of AMI meter-transmitted data. These customers have requested the ability to retain non-transmitting analog meters, and this Opt-Out Schedule is intended for those customers.

...

1 **Estimated Costs**

2 3. In its attached Service Schedule 17, APS proposes two charges for customers who
3 choose to opt-out of AMI metering. Those charges include a one-time \$75.00 initial "set-up" charge,
4 and a recurring monthly reading charge of \$30.00, although the Company has recently provided Staff
5 with updated cost estimates in support of a lower monthly fee of \$21.00.

6 4. Staff requested APS provide an itemized breakdown of the estimated costs
7 associated with both charges. APS provided the following table in support of the initial \$75.00 charge.
8 (Note that according to APS, the \$75 figure represents costs for a "blend" of customers with and
9 without analog meters in place.)

| Administration | Cost per Meter |
|---|-----------------------|
| Call Center Associate | \$3.00 |
| Opt-Out Processing | \$3.00 |
| Meter Processing | |
| Process and Refurbish Removed AMI Meters | \$6.00 |
| Process and Refurbish Analog Meter for Testing | \$6.00 |
| Meter Testing | |
| Test and Calibrate Analog Meter | \$10.00 |
| Field Trips per Customer | |
| Exchange Meter and install Meter Seal twice, including should customer opt-out of program due to a move, etc. | \$57.00 |
| Total | |
| | \$85.00 |

18 5. APS also provided the following cost estimates should no meter exchange be
19 required. (For example, a customer who has an analog meter currently installed.)

| Administration | Cost per Meter |
|---|-----------------------|
| Call Center Associate | \$3.00 |
| Opt-Out Processing | \$3.00 |
| Field Trips per Customer | |
| Exchange Meter and install Meter Seal should customer opt-out due to a move, etc. | \$29.00 |
| Total | |
| | \$35.00 |

26 6. Commission Staff also requested an itemized breakdown of the estimated costs
27 associated with the monthly fee, and the table below reflects updated cost estimates from the time of

28 ...

1 APS' application filing. These cost estimates are based on the assumption that approximately 19,200
2 customers will elect to opt-out of AMI metering.

| Personnel Expenses | Annual Cost (\$000) |
|--|------------------------|
| Employee Salary | \$3,756 |
| Transportation | \$757 |
| Materials and Supplies | \$106 |
| Computer Leases | \$31 |
| Other Expenses | |
| Program Administration | \$24 |
| Field Coordinator Support | \$24 |
| Call Center Support | \$97 |
| Meter Reading Equipment and Maintenance | \$26 |
| Total Annual Meter Reading Opt-Out Cost | \$4821 |
| Monthly Meter Reading Cost per Customer Per Month (\$4,821,000/19,200 customers/12 months) | \$21 |

12 Staff Analysis

13 7. Staff has evaluated APS's proposed Schedule 17 and the estimated costs the
14 Company has provided for this program. Staff also examined the operation and charges of similar
15 AMI Opt-Out programs in other jurisdictions. Staff recognizes that there are costs associated with
16 maintaining an older meter technology for a select group of customers, and that those customers and
17 the Company will not be able to utilize the advanced capabilities AMI meters provide. Staff's
18 evaluation of APS's proposal included specific inquiries into the most appropriate method for reading
19 the analog meters for customers in this program. The use of an analog meter necessitates on-site
20 meter reading, and Staff evaluated different options for the timing of reads.

21 8. APS has expressed opposition to self-reading to Staff. The Company cites concerns
22 about safety, inaccurate and/or untimely meter reads, deliberate false reads, and administrative
23 difficulties as reasons to avoid a self-read program.

24 Staff Proposal

25 9. Staff supports a one-time initial setup fee of \$75.00 only for customers with an AMI
26 meter currently in place. Staff does not agree with APS's cost estimates for customers with analog
27 meters already in place, and recommends that those customers incur no initial charge under the Opt

28 ...

1 -Out program. Staff proposes that APS offer three alternatives for customers selecting to opt out of
2 AMI:

3 Alternative 1: Monthly Reading

4 10. The first alternative would function as APS requests in its application. Meter reading
5 would occur on a monthly basis, the charge associated with reading the meter would be
6 commensurate with the cost estimates APS has provided, less \$1.00, which is already embedded in the
7 base rates all customers on the E-12 rate schedule already pay for meter reading. (The E-12 rate
8 schedule is required for customers joining the Opt-Out program.) Customers selecting this option
9 would pay \$20 per month.

10 Alternative 2: Self-Reading

11 11. The self-reading option would reduce the costs customers pay for meter reading by
12 permitting them to read meters themselves, thereby reducing the number of APS meter reader trips to
13 the home and corresponding travel costs. Under this option, customers would read their analog meter
14 and fill out a post card indicating monthly usage, and then submit that card to APS by a specified date
15 every month. Every fourth month, an APS meter reader would conduct an on-site reading to ensure
16 accuracy. This option would only require on-site meter reading once every four months, so Staff
17 estimates a corresponding reduction in costs for APS of 75% over its proposed monthly reading
18 charge. Thus, customers selecting this option would pay \$5 per month.

19 12. APS has specifically cited concerns about self-reading customers providing false low
20 reads. Staff recognizes that this option could enable customers to falsify usage. Therefore, Staff has
21 recommended that should APS determine a customer is engaging in this behavior, APS would notify
22 the customer of being taken off of the self-reading option and being placed on the monthly reading
23 option. If a customer believes APS is in error, the customer shall be notified of the option to contact
24 the Commission's Consumer Services section.

25 Alternative 3: Equalizer Payments

26 13. The final option is an "equalizer" payment plan. Under this plan APS would use an
27 average of recent bills over a 12-month period at the customer's present location to determine a
28 monthly payment. An annual average bill would continue to be calculated (and updated annually)

1 using historical and/or other relevant data, and the customer would receive a monthly average bill
2 rather than an actual usage bill. APS would conduct an on-site meter read once annually. This option
3 would only require on-site meter reading once annually, so Staff estimates a corresponding reduction
4 in costs for APS of 92% over its proposed monthly charge. Thus, customers selecting this option
5 would pay \$2 per month.

6 **Staff Recommendations**

7 14. Staff has recommended each of the three alternatives described above be
8 incorporated into Service Schedule 17. Staff has further recommended that the Charges and Billing
9 portion of Schedule 17 be modified to include the revised charges discussed above that correspond to
10 each alternative and reflect a one-time \$75.00 set-up fee only for those customers with an AMI meter
11 already in place.

12 15. For the purposes of this case, we find that APS's fair value rate base is
13 \$8,167,126,000, the number that we approved in APS's last rate case (Decision No. 73183). We also
14 find that 6.09 percent (APS's current fair value rate of return) remains appropriate as a fair value rate
15 of return. These findings are appropriate because few customers are expected to select this program,
16 so any corresponding change in revenue would be de minimis.

17 16. Staff has recommended approval of APS' Automated Meter Opt-Out Schedule 17 as
18 discussed herein.

19 **Commission Discussion**

20 17. Although we appreciate Staff's analysis and recommendations, we do not find that
21 Staff's alternative proposals 2 and 3 are appropriate under the circumstances presented in this matter.
22 We are concerned that both Staff's alternative proposals 2 and 3 could result in opt out customers
23 potentially providing inaccurate and untimely information concerning opt out customer usage.

24 18. We find that Staff's alternative proposal 1 provides both APS and its opt out
25 customers with the most accurate and timely information concerning customer usage. However, in
26 considering the Staff's proposed charge of \$20 per month for meter reading, we find that a more
27 appropriate balancing in the public interest results in a determination of \$5 per month for meter
28 reading for those customers who choose to opt out of AMI metering.

1 19. In balancing the public interest, we also find that an opt out one- time set up fee is
2 appropriate only for those customers with an AMI meter already in place, and that a reasonable one-
3 time set up for these customers is \$50. Customers that currently have an analog meter in place and
4 elect to opt out, should incur no initial charge. It is reasonable to determine that the one- time set up
5 fee for these customers is zero.

6 20. We further find that APS's proposed Service Schedule 17 requires modification to
7 Paragraph 9.1. We find section 9.1 should be modified to include the following clause at the end of
8 the last sentence by deleting the period and adding: “, unless the Company is found to be negligent in
9 the installation or the operation of the non-automated metering.”

10 21. In addition, we will require APS to provide notice to all its customers of this decision
11 in a form acceptable to Staff.

12 22. Also, APS should provide a letter to Docket Control, as a compliance item in this
13 matter, stating when all customers have been provided the above referenced notice. Service Schedule
14 17, approved as discussed herein, should become effective with the first billing cycle in April, 2015, or
15 the first billing cycle of the month following APS's filing of this letter with Docket Control, whichever
16 is later.

17 23. We find that it is appropriate to take judicial notice of Docket No. E-00000C11-0328
18 and to consider the matters reflected therein, as we evaluate APS's application for an AMI metering
19 opt out tariff.

20 24. We have received a number of comments related to the alleged health effects of
21 smart meter technology. The individuals who have submitted these comments believe that they have
22 developed adverse health conditions due to exposure to smart meters. We do not take these
23 comments lightly, and we recognize that both the presence and the prevalence of smart meters are
24 perceived by some as an undesirable feature of modern life.

25 25. We nonetheless must recognize the scope of our authority with regard to smart
26 meters. The Federal Communications Commission (“FCC”), not the Commission, establishes
27 standards for the exposure of humans to RF fields. The FCC's guidelines therefore present the

28 ...

1 relevant question, and the narrow issue that remains for our consideration is whether the smart meters
2 installed in Arizona meet the FCC guidelines.

3 26. While we understand that some commenters believe that the FCC guidelines are
4 inadequate or out-of-date, it is not within our purview to stray from those federally mandated
5 guidelines.

6 27. Based upon the information in Docket Nos. E-00000C11-0328 and E-01345A-13-
7 0069, we further find that APS's AMI meters comply with the applicable federal standards.

8 28. We note that the FCC has undertaken to continually monitor the issues related to RF
9 exposure and the associated health concerns presented by smart meters, and we understand that the
10 FCC has an open docket regarding these issues. We will therefore submit the entire record of both
11 this proceeding and Docket No. E-00000C-11-0328 to the FCC (through an electronic link to these
12 dockets) in order to provide that agency with the information that has been presented to us. It is our
13 hope that this information will assist the FCC in its future evaluations of these matters.

14 29. We find that in light of our decision in this case, that any pending motions/requests
15 for further proceedings or other requests for relief are now moot and thus are deemed denied by this
16 Order.

17 CONCLUSIONS OF LAW

18 1. Arizona Public Service Company is an Arizona public service corporation within the
19 meaning of Article XV, Section 2, of the Arizona Constitution.

20 2. The Commission has jurisdiction over Arizona Public Service Company and over the
21 subject matter of the application.

22 3. The Commission, having fully considered these matters and in balancing the public
23 interest, concludes that it is in the public interest to approve the application as modified and set forth
24 above.

25 4. For the purpose of this case, we will rely on the fair value rate base and fair value rate
26 of return findings that we adopted in APS's last rate case. These findings are appropriate because few
27 customers are expected to select this program, so any corresponding change in revenue would be de
28 minimis.

1 IT IS FURTHER ORDERED that Arizona Public Service Company shall provide notice to
2 all its customers of this decision in a form acceptable to Staff.

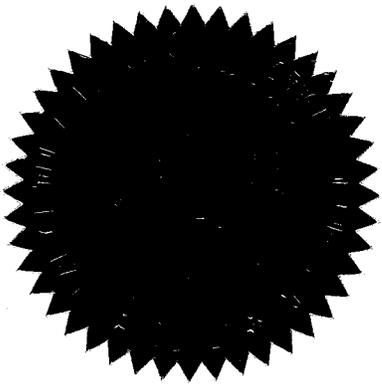
3 IT IS FURTHER ORDERED that Arizona Public Service Company shall provide a letter to
4 Docket Control, as a compliance item in this matter, stating when all its customers have been
5 provided the above referenced notice; and that Service Schedule 17, approved as discussed herein,
6 shall become effective with the first billing cycle in April 2015, or the first billing cycle of the month
7 following Arizona Public Service Company's filing of this letter with Docket Control.

8 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

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BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

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|--|---|---|
|  CHAIRMAN |  COMMISSIONER | |
|  COMMISSIONER |  COMMISSIONER |  COMMISSIONER |



IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 18th day of December, 2014.


JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____
DISSENT: _____
SMO:EAH:sms\WVC

1 SERVICE LIST FOR: ARIZONA PUBLIC SERVICE COMPANY
DOCKET NO. E-01345A-13-0069

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3 SERVICE LIST FOR: ARIZONA PUBLIC SERVICE COMPANY
DOCKET NO. E-00000C-11-0328

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